

GENERAL FUND BALANCE PROJECTIONS - WITH DINAPOLI CENTER REVENUE
2003/04 through 20011/12

1/18/2006

This schedule shows that total Fund Balance for the General Fund is projected to drop from \$11.3 million at 7/1/03 to \$1.7 million at 6/30/10, and thereafter turn negative, if no new revenue source, other than sales tax revenue from the proposed DiNapoli shopping center, is realized. The projections generally assume, after 2004/05, a 3% increase in revenues and in expenditures. However, property taxes and sales taxes are projected to increase an average of 5% & 4% per year, respectively. This schedule accounts for an increase in property tax revenue equal to the significant annual ongoing vehicle in-lieu loss beginning in 2004/05, and includes the State's shift of \$343,000 per year in property taxes away from Morgan Hill for two years (2004/05 and 2005/06). The schedule also reflects the deletion of the \$27,502 annual State booking fee reimbursement as of 2005/06. Projections include new Fire Inspection fees that were implemented in 2005/06. The projections do not factor in any new employee positions other than positions added, beginning in late 2005/06, for the opening of the Indoor Recreation Center in 2006/07, for two new police officers beginning June 2006, funded partly with federal grants, and for one additional police officer, in connection with the opening of the proposed DiNapoli shopping center, as of 1/1/08. Potential future costs for operating a new fire station, City Hall expansion, and expanded parks maintenance are **not** included in costs.

	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
<i>Beginning Balance</i>	11,260,628	10,898,370	9,954,543	8,661,625	7,467,326	5,842,424	3,833,622	1,662,691
Revenues & Trnfrs In	15,763,617	18,338,742	18,690,000	21,285,250	22,327,324	23,187,135	23,977,833	24,826,475
Exps/Trnsfers Out(5)	<u>(16,125,875)</u>	<u>(19,282,569)</u>	<u>(19,982,918)</u>	<u>(22,479,548)</u>	<u>(23,952,226)</u>	<u>(25,195,937)</u>	<u>(26,148,764)</u>	<u>(27,199,617)</u>
<i>Ending Balance</i>	10,898,370	9,954,543	8,661,625	7,467,326	5,842,424	3,833,622	1,662,691	(710,451)
Less:Designations(3)	<u>3,746,640</u>	<u>4,486,656</u>	<u>4,559,598</u>	<u>5,210,998</u>	<u>5,480,442</u>	<u>5,708,043</u>	<u>5,919,685</u>	<u>6,131,287</u>
<i>Undesg Fd Balance</i>	<u><u>7,151,730</u></u>	<u><u>5,467,887</u></u>	<u><u>4,102,027</u></u>	<u><u>2,256,328</u></u>	<u><u>361,982</u></u>	<u><u>(1,874,421)</u></u>	<u><u>(4,256,994)</u></u>	<u><u>(6,841,738)</u></u>
Operating margin:	<u>(362,258)</u>	<u>(943,827)</u>	<u>(1,292,918)</u>	<u>(1,194,298)</u>	<u>(1,624,902)</u>	<u>(2,008,802)</u>	<u>(2,170,931)</u>	<u>(2,373,142)</u>

GENERAL FUND BALANCE PROJECTIONS - WITH DINAPOLI CENTER REVENUE
2001/02 through 20011/12

1/18/2006

REVENUE DETAIL	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
TAXES:								
Property Tax (1)	2,522,916	4,730,014	4,876,031	5,119,833	5,375,824	5,644,615	5,926,846	6,223,188
State prop tax taking		(342,961)	(342,961)					
Sales Tax (10)	4,070,030	5,196,224	5,510,000	5,736,400	5,971,856	6,236,730	6,521,399	6,786,255
DiNapoli Sales Taxes (11)	-	-	-	-	75,000	225,000	325,000	375,000
TOT Tax	933,041	956,327	974,560	1,003,797	1,033,911	1,064,928	1,096,876	1,129,782
Franchise Fees	975,498	995,298	1,030,700	1,061,621	1,093,470	1,126,274	1,160,062	1,194,864
Pub Sfty Sales Tax	240,528	241,635	264,600	275,184	286,191	297,639	309,545	321,926
Property Trnsfr Tax (11)	479,537	469,761	425,000	437,750	450,883	464,409	478,341	492,691
TOTAL TAXES	9,221,550	12,246,298	12,737,930	13,634,584	14,287,134	15,059,595	15,818,069	16,523,708
LICENSES/PERMITS	157,394	159,637	161,680	166,530	171,526	176,672	181,972	187,431
REVENUE FROM OTHER AGENCIES:								
Motor Vehicle Fee(6)	1,608,533	812,983	260,000	267,800	275,834	284,109	292,632	301,411
Other	307,182	245,250	246,400	305,725	272,496	224,666	154,251	158,878
TOTAL REV-AGNS	1,915,715	1,058,233	506,400	573,525	548,330	508,775	446,883	460,290
FINES/PENALTIES	74,716	83,526	110,000	80,000	82,400	84,872	87,418	90,041
CHARGES - CURRENT SERVICES:								
Recrtn/CCC Classes	194,610	334,728	282,400	388,648	401,825	415,398	429,378	443,777
Aquatics Revenue (7)	191,030	1,020,691	1,088,000	1,120,640	1,154,259	1,188,887	1,224,554	1,261,290
Indoor Rec. Ctr. Rev. (5)				1,457,000	1,900,000	2,085,000	2,168,000	2,233,040
Gen Admin Overhd	2,007,978	1,793,851	1,791,375	1,845,116	1,900,470	1,957,484	2,016,208	2,076,695
Fire Fees	75,426	74,659	254,000	307,020	313,160	319,424	325,812	332,328
Other Charges	264,542	264,840	219,750	226,343	233,133	240,127	247,331	254,750
TOTAL CUR SRVS	2,733,586	3,488,769	3,635,525	5,344,767	5,902,848	6,206,319	6,411,283	6,601,881
Interest Earnings	292,016	331,944	295,000	324,000	266,000	192,000	110,000	20,000
CCC/Gavilan Rent	386,997	396,658	484,250	544,778	561,121	577,954	595,293	613,152
Other Rentals (8)	107,300	126,450	143,750	152,573	76,696	820	844	869
Other New Revenues				-	-	-	-	-
Miscellaneous	97,285	55,108	163,600	24,308	25,037	25,788	26,562	27,359
TOTAL OTH REVS	883,598	910,160	1,086,600	1,045,658	928,854	796,562	732,699	661,380
TRANSFERS IN								
Park Maintenance	200,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Sewer/Water/Other	39,058	92,119	66,200	68,186	70,232	72,339	74,509	76,744
Public Safety	273,000	175,000	175,000	175,000	175,000	145,000	100,000	100,000
Community Rec Ctrs	265,000	-	85,665	72,000	36,000	12,000	-	-
TOTAL TRFRS IN	777,058	392,119	451,865	440,186	406,232	354,339	299,509	301,744
TOTAL REVS/XFRS	15,763,617	18,338,742	18,690,000	21,285,250	22,327,324	23,187,135	23,977,833	24,826,475

GENERAL FUND BALANCE PROJECTIONS - WITH DINAPOLI CENTER REVENUE
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1/18/2006

EXPENDITURES (4):	2003/04	2004/05	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
City Council	208,279	227,858	207,654	190,137	197,118	203,832	210,111	216,415
City Clerk	329,719	381,462	358,868	418,026	354,466	417,916	379,874	441,270
City Manager	464,358	382,190	501,924	450,856	470,034	487,962	503,996	519,116
Cable TV	42,641	43,503	37,611	39,071	40,388	41,682	42,933	44,221
Recreation	539,340	310,796	310,617	327,053	340,414	352,988	364,354	375,284
Community & Cul Ctr.	1,051,392	1,036,466	1,279,127	1,331,297	1,378,126	1,424,057	1,468,297	1,512,346
Indoor Rec Center (5)			97,665	1,662,000	2,044,000	2,105,000	2,168,000	2,233,040
Aquatics (7)	356,496	1,426,151	1,335,000	1,384,667	1,431,021	1,477,165	1,522,559	1,568,236
Volunteer Services	23,945	50,936	-	-	-	-	-	-
Police	6,445,345	7,852,700	8,572,238	9,249,619	9,776,457	10,314,480	10,660,219	10,980,026
Police Debt Serv (2)	-	57,299	218,978	211,982	212,323	212,323	212,323	212,323
Add'l Police Debt Service (9)					70,000	80,000	80,000	80,000
Fire (10)	3,744,977	4,194,484	4,377,495	4,601,050	4,923,124	5,267,742	5,636,484	6,031,038
City Attorney	627,412	1,061,611	721,191	590,729	612,235	633,130	652,976	672,566
Finance	908,489	895,496	980,328	1,005,038	1,047,948	1,087,964	1,123,607	1,157,315
Human Resources	542,618	488,770	488,604	512,589	532,046	550,339	566,850	583,855
Park Maintenance	729,510	685,847	710,618	731,436	759,528	786,356	811,181	835,516
Less: 2% salary savings			(225,000)	(236,000)	(247,000)	(257,000)	(265,000)	(272,950)
Total Expenditures	16,014,521	19,095,569	19,972,918	22,469,548	23,942,226	25,185,937	26,138,764	27,189,617
Transfers Out:								
General Plan Update	-	9,000	10,000	10,000	10,000	10,000	10,000	10,000
Information Services	35,520	49,025						
Employee Assistance	60,000							
Other	15,834	28,975						
Community Centers	-	100,000	-	-	-	-	-	-
Total Transfers Out	111,354	187,000	10,000	10,000	10,000	10,000	10,000	10,000
TOTAL EXPS/TRFS	16,125,875	19,282,569	19,982,918	22,479,548	23,952,226	25,195,937	26,148,764	27,199,617

- (1) Property tax revenues for 2007/08 through 2010/11 assume that Redevelopment Agency tax increment cap of \$147 million is increased.
- (2) Police facility debt service reflects the portion to be paid by the General Fund
- (3) Beginning in 2004/05, the General Fund target reserve has been established as 25% of estimated revenues, excluding transfers in.
- (4) Expenditures for years through 2005/06 include amounts expended for prior year carry-over encumbrances and rebudgeted projects.
- (5) Indoor Recreation Center activities are assumed to break even as of 3rd operating year beginning 9/1/08.
- (6) A one-time loss in Motor Vehicle In-Lieu Fees, amounting to \$592,115 shifted to the State, is reflected in lower revenues in 2003/04 and is offset by a State repayment of \$592,115 received by the City in 2004/05.
- (7) Aquatics activity for 2005/06 has been taken from 12/14/05 staff report to City Council.
- (8) Other Rentals income assumes that the Morgan Hill Unified School District continues to lease space from the City through 12/07 only.
- (9) A portion of the Police Impact Fee Fund share of Police Facility debt service will need to be advanced by the General Fund because sufficient impact fees are not expected to be received from developers in time for the scheduled debt service payments.
- (10) Projected Fire expenditures assume that costs annually increase by 7% per year for the period 10/1/06 through 6/30/11. Current County Fire contract sets 7% as the annual maximum increase for the period 10/06 - 9/07.
- (11) Projected net sales taxes for the proposed DiNapoli center near Cochrane road and Highway 100 were calculated as follows:

	<u>2007/08</u>	<u>2008/09</u>	<u>2009/10</u>	<u>2010/11</u>
Total net local sales tax generated	335,584	998,069	1,393,788	1,484,382
Less: allocations to capital project funds	(260,584)	(773,069)	(1,068,788)	(1,109,382)
Net sales tax revenue available	75,000	225,000	325,000	375,000